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S E C R E T SECTION 01 OF 03 ABUJA 001653

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TAGS: [PREL](#) [PGOV](#) [KCOR](#) [EPET](#) [EAID](#) [NI](#)

SUBJECT: NIGERIA, CORRUPTION, AND US

REF: A. ABUJA 1486

[1](#)B. ABUJA 1323

[1](#)C. ABUJA 1584

[1](#)D. TD-314/51925-04

[1](#)E. ABUJA 35

[1](#)F. ABUJA 979 AND PREVIOUS

Classified By: Ambassador John Campbell for Reasons 1.5 (B & D).

[1](#)1. (SBU) Summary: Corruption is a serious problem for Nigeria, and harms U.S. interests. President Bush took up the issue in the G8 transparency/anti-corruption Compact with Nigeria at Sea Island, and the next important U.S. effort will be at the Nigeria-G8 meeting in Washington October 4. Post has consulted with diplomats of the other G8 missions and IFI representatives on the ground in Abuja, and offers the following as background for that October 4 meeting. End Summary.

THE ISSUE

[1](#)2. (S/NF) Corruption is endemic and pervasive in Nigeria. It is difficult to overestimate the variety of threats it poses to U.S. interests here. As noted in much of our recent reporting, corruption is a major factor in the instability of the Niger Delta, whence ten percent of U.S. oil imports come (Ref A). Corruption imperils major U.S. private investments in the energy sector, and is an important reason why U.S. companies invest so little in Nigeria outside the energy sector -- two disruptive influences on Nigeria's economic stability. Corruption is a major preoccupation of Nigeria's economic reform program and causes dislocations in U.S. exports to Nigeria (Ref B). Corruption drives and drives off course much of Nigerian politics (Ref C), threatening both the process and the polity. And corruption is a major risk factor increasing the possibilities for terrorism in and from Nigeria (Ref D notal).

[1](#)3. (S/NF) Although members of President Obasanjo's family and some of his senior advisors are involved in corruption (Ref B), it also appears true that President Obasanjo strongly supports the anti-corruption effort led by his economic reform team. Such dualism is not uncommon as countries long under authoritarian rule move toward democracy, as in the careers of Roh Tae-woo of South Korea and Taiwan's Chiang Ching-kuo. The GON now has several institutions (listed in Ref E) attacking different facets of corruption, and these institutions are beginning to target ministerial-level GON officials (although not Obasanjo's inner circle) as well as mid- and low-level operators (Ref F). The GON sees its anti-corruption programs as a long-term effort to change a thoroughly corrupt society, and is making major investments in the fight.

USG RESPONSES

[1](#)4. (C) The U.S. Mission to Nigeria is working several angles too. Transparency/anti-corruption is an important theme in lobbying by Embassy officials, and Chiefs of Mission have gone so far as to speak out publicly in favor passage by Nigeria's National Assembly of specific legislation when that was in jeopardy. The Political Section has added a transparency/anti-corruption portfolio to its human rights officer's responsibilities, and has organized the G8 missions and IFI representatives in Abuja into a G8 Transparency/Anti-Corruption Working Group (GETAWG) to coordinate and advocate efforts. USAID is an active GETAWG participant, and USAID currently spends around six million dollars on transparency/anti-corruption programs in Nigeria. The other G8 countries and IFIs combined spend a little more than that, and GETAWG members including the U.S. are supporting 41 different transparency/anti-corruption-focused programs in Nigeria.

[1](#)5. (SBU) The Embassy has also strongly contributed to the G8 effort to reach a transparency/anti-corruption Compact with Nigeria, signed at the Sea Island Summit in June. Following through on that effort is important. The U.S. will host a G8 meeting with Nigeria and the three other Sea Island pilot countries on October 4. The Sea Island compact, and

correspondence since between POTUS and President Obasanjo, indicated that the GON is to bring its Technical Action Plan to the meeting, and there is supposed to be a discussion of how to measure progress.

HOW TO MEASURE PROGRESS?

16. (SBU) If the Nigerians ask for any additional assistance in their Technical Action Plan, it will likely be technical assistance for the new Financial Intelligence Units to be set up in each GON ministry under the Economic and Financial Crimes Commission (EFCC) -- an important effort because it would facilitate faster corruption prosecutions as well as facilitate the EFCC's role in overseeing all GON anti-corruption activities. G8 members' current programs work with practically all of the GON's other transparency/anti-corruption efforts, although there may be some niche projects that could usefully be picked up by Japan, Canada or Russia. Those G8 members have little direct or indirect anti-corruption funding here.

17. (SBU) How to measure progress against corruption will also be important on October 4, and beyond. The GON has not shared either its Technical Action Plan nor its ideas for measuring progress with us, apparently saving them for the October 4 meeting. GETAWG met September 22 to discuss various measurements for overall progress against corruption in Nigeria, to send ideas back to capitals in preparation for the October 4 G8 meeting.

18. (SBU) Perhaps the best known broad survey is Transparency International's Corruption Perceptions Index (CPI), but GETAWG members have long believed it not suitable for measuring transparency/anti-corruption success in Nigeria especially in the Nigeria-G8 context. Among the reasons:

-- It is a comparison against other countries, hence Nigeria's rating is not dependent on Nigeria alone;

-- There is a huge lag time involved with any perceptions polling;

-- Transparency International itself acknowledges that it cannot be used to measure a country's performance over time. CPI 'scores' are standardized around a common mean each year to ensure a distribution of scores. Because there is no consistent baseline, an increase in the 'score' from one year to the next does not imply a reduction in corruption;

-- The index measures perceptions only, not hard indicators; and

-- The perceptions are weighted towards the international business community, not people within the country itself.

19. (SBU) There are other, perhaps more appropriate, broad survey tools to measure the extent of corruption within a single country, where corruption occurs, what types of corruption occur, the costs and effects on household and services and causal factors of corruption. The Nigerian Ministry of Finance published a Governance and Corruption Survey in 2003, for example, using a diagnostic model designed by the World Bank.

110. (SBU) Another means for general measurement of progress would be a combination of benchmarks derived from areas of the Nigeria-G8 Compact signed at Sea Island. GETAWG members put forward the following, organized by sections of the Compact:

JOINT ACTION WITH G8 PARTNERS

-- Facilitation of information/evidence sharing between Nigerian and G8 governments on bribery by G8 nationals, with a purpose of prosecuting G8 nationals/companies under G8 countries' anti-bribery laws.

-- Implementation of a new G8 partnership to detect, recover and return illicitly acquired proceeds of corruption.

-- Number/size of proceeds of corruption asset recoveries.

-- Corrupted public officials denied safe haven.

-- Measures implemented by G8 countries of the 40 revised FATF recommendations.

INSIDE NIGERIA: BUDGET AND FISCAL TRANSPARENCY

-- Full publication monthly of the Nigerian Government's

revenue allocations to all levels of government, and full publication yearly of appropriations from all levels.

-- Publication of the Nigerian Government's budget implementation figures (i.e. actual spending compared what was budgeted, usually rather less than what was appropriated).

-- Transparent accounting for the Excess Crude Account (where, how regularly?)

-- Number of Auditor General's reports published within the time allowed.

-- Risk assessments by World Bank or Fiscal and Data Requirements report by IMF.

-- Passage of the (not yet submitted) Fiscal Responsibility Bill, and its implementation.

----- PUBLIC PROCUREMENT LEGISLATION, POLICY AND ADMINISTRATION -----

-- Savings to government from the 'Due Process' initiative and subsequent procurement reforms.

Note: The 'Due process' initiative has undoubtedly saved Nigeria substantial sums of money from inflated contract bids. However, there is a risk that the vetting process may also stop or delay legitimate expenditure in the capital budget. We should check that the benchmark measures real savings, not legitimate expenditure that has been delayed by the vetting process.

-- Extension of the Due Process initiative to line ministries (already started).

-- Passage of legislation to set up a new Public Procurement Regulation Agency.

----- EXTRACTIVE INDUSTRY TRANSPARENCY INITIATIVE -----

-- EITI Bill passed, and evidence of enforcement.

-- First audit of oil and gas revenues published, and plans for subsequent audits.

-- Publishing revenue information in formats/language useful to all stakeholders and understandable by the general public.

----- ANTI-CORRUPTION INSTITUTIONS -----

-- Funding and implementation of the EFCC's Financial Intelligence Unit offices in each ministry.

-- Adequate budgets for EFCC and the Independent Corrupt Practices Commission (ICPC).

-- Number of prosecutions brought by ICPC and by EFCC.

-- Number of completed prosecutions/acquittals in cases brought by ICPC/EFCC.

Note: It is unlikely that the number of convictions alone could be used as a benchmark, because this might lead to legal complications where defendants could allege the government was bringing cases merely to improve their performance against this benchmark. The number of completed cases is a measure of the performance of the legal process.

-- Value of crime proceeds recovered by ICPC/EFCC and other specialist units.

-- Meeting the criteria for Financial Action Task Force de-listing.

-- Enforcement of recently approved anti-money laundering legislation.

----- PUBLIC SERVICE REFORM -----

-- Number of 'ghosts' eliminated from the payroll (Federal, State), and subsequent cost savings.

-- Implementation of civil service restructuring plans (the five current pilots, then all ministries).

11. (SBU) The Embassy looks forward to the results of the October 4 meeting.
CAMPBELL